



Projected FY 2021 Built-In and Anticipated General Fund Expenditure Increases and Decreases

The built-in and anticipated expenditure estimates are used to help determine the projected condition of the General Fund budget for the next fiscal year. This budget projection is intended to provide a starting point for the General Assembly to begin making budget decisions during the next legislative session. The estimates reflect incremental increases above the enacted appropriation amounts from the previous fiscal year. The estimates are divided into two categories: built-in expenditures and anticipated expenditures.

Built-In Expenditures

A built-in expenditure is a projected change to the previous year's enacted appropriation that is associated with a standing appropriation established by statute, an entitlement program, or a multiyear appropriation set by statute. Legislative action is required to change the standing appropriation provisions of the Iowa Code.

Anticipated Expenditures

An anticipated expenditure is a projected increase associated with a cost that a State agency or program will incur in the next budget year that will likely require additional appropriated funds. An anticipated expenditure can also include funds that are needed to replace the previous fiscal year's one-time or time-limited appropriations in order to maintain a recurring program cost at the previous year's funding level.

FY 2021 Built-In and Anticipated Expenditure Estimates

The Legislative Services Agency (LSA) is projecting \$336.7 million in total built-in and anticipated expenditure increases for FY 2021. The projection includes \$282.1 million in net General Fund built-in increases and \$54.5 million in anticipated expenditure increases. The following table provides a list of the FY 2021 estimates. Additional information for each of the estimates is also provided. The LSA will continue to monitor the estimated changes to State programs throughout the 2020 Legislative Session to refine the impact on the FY 2021 General Fund budget.

LSA Staff Contact: Dave Reynolds (515.281.6934) dave.reynolds@legis.iowa.gov

FY 2021 General Fund Built-In and Anticipated Expenditures (In Millions)	
	LSA Estimate
<u>Built-In Changes</u>	
1. Human Services – Medical Assistance	\$ 211.0
2. Human Services – Hawki Program	22.0
3. Management – Technology Reinvestment Fund	17.5
4. Education – Instructional Support Program	14.8
5. Human Services – Adoption Subsidy Program	5.3
6. Management – State Appeal Board Claims	5.3
7. College Aid – College Work Study	2.8
8. Education – Nonpublic School Transportation	2.6
9. Education – Child Development (At-Risk Program)	2.1
10. Human Services – Child and Family Services	1.6
11. Economic Development Authority – World Food Prize	0.6
12. Economic Development Authority – Tourism Marketing	0.3
13. Cultural Affairs – County Endowment Fund	0.1
14. Education – K-12 School Foundation Aid	-3.8
Subtotal	<u>\$ 282.2</u>
<u>Anticipated Expenditure Changes</u>	
15. Management – Salary Adjustment	44.6
16. Human Services – Adoption Subsidy Program	6.3
17. Human Services – Eldora State Training School	2.1
18. Public Defender – Indigent Defense	1.5
Subtotal	<u>\$ 54.5</u>
Total	<u><u>\$ 336.7</u></u>
Notes:	
A 1.0% increase in the State percent growth rate for School Foundation Aid would increase the FY 2021 appropriation by approximately \$40.8 million.	

FY 2021 ESTIMATED GENERAL FUND EXPENDITURES

Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2021 Change (4)
1. Human Services – Medical Assistance <i>Standing Unlimited Appropriation</i>	<p>Medical Assistance is a state/federal entitlement program that provides medical services to eligible low-income recipients. To qualify for federal funding, a state must reimburse providers for certain mandatory services.</p> <p>States have the option to provide coverage for additional services and can elect to expand coverage to optional eligibility groups. Iowa is currently covering most of the optional services and optional eligibility groups that qualify for federal matching funds. States also have the ability to set the rates they use to reimburse service providers, within federal guidelines.</p>	<ul style="list-style-type: none"> • An increase of \$2.5 million to replace revenues from various funds. • An increase of \$106.6 million to replace the unfunded need from FY 2020. • An increase of \$10.2 million for enrollment increases in the managed care organizations (MCOs). • An increase of \$26.4 million for the health insurer fee for calendar year (CY) 2020. • An increase of \$15.6 million for increased fee-for-service claims, Medicare Part A and B premium payments, and the Medicare Part D clawback payment. • A decrease of \$4.2 million due to an increase in drug rebates and other recoveries. • An increase of \$3.0 million for increased funding related to adult and children's mental health services. • A net decrease of \$19.0 million to reflect the increase in the regular Federal Medical Assistance Percentage (FMAP) rate. The increase is offset by a decrease from 91.5% to 90.0% in the Iowa Health and Wellness Plan FMAP rate. • An increase of \$70.0 million for the FY 2021 MCO capitation rate increase. This is an estimate of the rate increase. No rate increases have yet been finalized. • The sum of the above numbers may not equal the total change due to rounding. 	\$211.0

Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2021 Change (4)
2. Human Services – Hawki Program <i>Standing Unlimited Appropriation</i>	Hawki is a State/federal program that provides medical and dental insurance to eligible recipients with incomes between 133.0% and 300.0% of the federal poverty level. The Program receives a 72.0% federal match.	<ul style="list-style-type: none"> • An increase of \$1.2 million to replace the unfunded need from FY 2020. • An increase of \$0.5 million to replace carryforward funds from the prior fiscal year. • An increase of \$0.2 million for enrollment increases in the MCOs. • An increase of \$14,400 due to a 3.0% increase to the administrative contract. • An increase of \$0.4 million for the health insurer fee for CY 2020. • An increase of \$18.0 million due to an adjustment in the regular FMAP rate and the phaseout of the 23.0% enhanced FMAP rate. • An increase of \$1.5 million for the FY 2021 MCO capitation rate increase. This is an estimate of the rate increase. No rate increases have yet been finalized. • The sum of the above numbers may not equal the total change due to rounding. 	\$22.0
3. Management – Technology Reinvestment Fund <i>Standing Limited Appropriation</i>	Iowa Code section 8.57C establishes a General Fund standing appropriation of \$17.5 million to the Technology Reinvestment Fund (TRF) for the purchase of computers, software, and other technology and equipment.	<ul style="list-style-type: none"> • For FY 2020, the General Fund appropriation to the TRF was suspended and replaced by an appropriation from the Rebuild Iowa Infrastructure Fund (RIIF) of \$17.5 million. • The General Fund appropriation of \$17.5 million to the TRF will be restored for FY 2021, in accordance with Iowa Code section 8.57C. 	\$17.5

Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2021 Change (4)
4. Education – Instructional Support <i>Standing Limited Appropriation</i>	Provides additional funding of up to 10.0% of the regular program district cost to be used for general operations. Funding comes from property taxes or a combination of property taxes and income surtax, and from State aid. Iowa Code requires the State aid portion to be capped at \$14.8 million.	<ul style="list-style-type: none"> No funding was provided for the program in FY 2020. Under current law, this estimate assumes the program will be funded from the General Fund at \$14.8 million for FY 2021. 	\$14.8
5. Human Services – Adoption Subsidy Program <i>Standing Unlimited Appropriation</i>	The Program is intended to achieve stable and permanent families for children who have been abused or neglected when the rights of the children's parents have been terminated.	<ul style="list-style-type: none"> Iowa Code section 234.38 requires reimbursement rates for foster care parents to be set at 65.0% of the United States Department of Agriculture (USDA) estimate for a cost to raise a child in the Midwest. The FY 2021 estimated increase incorporates this requirement. 	\$5.3
6. Management – State Appeal Board Claims <i>Standing Unlimited Appropriation</i>	<p>The State Appeal Board authorizes claims under Iowa Code chapters 25 and 669 for the payment of bills, fees, refunds, credits, and State tort claims.</p> <p>Payments for these claims are made from the General Fund appropriation or the fund of original certification of the claim. If moneys are not available from the appropriation or fund, then the payment is made from the State Appeal Board standing appropriation.</p>	<ul style="list-style-type: none"> The amount budgeted from the General Fund for FY 2020 State Appeal Board costs is \$4.5 million. The FY 2021 estimate assumes total costs of \$9.8 million, an increase of \$5.3 million compared to the FY 2020 budget. The FY 2021 estimate is based on a five-year average of actual claims (FY 2015 through FY 2019). 	\$5.3
7. College Aid – College Work Study <i>Standing Limited Appropriation</i>	Iowa Code section 261.85 provides a standing appropriation of \$2.8 million for the College Work Study Program. The Program provides funding to colleges and universities to supplement federal work-study funds. The State funding does not serve as a match for the federal funds.	<ul style="list-style-type: none"> For FY 2020, the standing appropriation was suspended and the Program was not funded. Under current law, this estimate assumes the Program will be funded from the General Fund at \$2.8 million for FY 2021. 	\$2.8
8. Education – Nonpublic School Transportation <i>Standing Unlimited Appropriation</i>	Iowa Code section 285.2 provides for the payment of approved claims of public school districts for transportation services for nonpublic school pupils.	<ul style="list-style-type: none"> The FY 2020 appropriation was capped at \$8.2 million. Under current law, this estimate assumes the program will be funded from the General Fund at \$10.8 million. This represents an increase of \$2.6 million. 	\$2.6

Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2021 Change (4)
9. Education – Child Development (At-Risk Program) <i>Standing Limited Appropriation</i>	Provides child development services to at-risk three-year-old to five-year-old children and educational support services to parents of at-risk children through three years of age. Program specifications are provided in Iowa Code chapter 256A . The appropriation is provided in Iowa Code section 279.51 .	<ul style="list-style-type: none"> The FY 2020 appropriation was capped at \$10.5 million. The standing appropriation is set in statute at \$12.6 million. The estimated increase of \$2.1 million returns the appropriation to the statutory level. 	\$2.1
10. Human Services – Child and Family Services <i>Standing Unlimited Appropriation</i>	Child and Family Services (CFS) programs are administered by the Department of Human Services (DHS) and provide for a multitude of child welfare and juvenile justice services. Child welfare and juvenile justice services and interventions for children, youth, and families are designed to improve safety, permanency, well-being, and community safety. The DHS Division of Child Services regulates and subcontracts appropriated State and federal funding for the delivery of community-based services and interventions.	<ul style="list-style-type: none"> Iowa Code section 234.38 requires reimbursement rates for foster care parents to be set at 65.0% of the USDA estimate for a cost to raise a child in the Midwest. The FY 2021 estimated increase incorporates this requirement. 	\$1.6
11. Economic Development Authority – World Food Prize <i>Standing Limited Appropriation</i>	Iowa Code section 15.368 (1) appropriates \$1.0 million annually from the General Fund for the World Food Prize award.	<ul style="list-style-type: none"> The FY 2020 General Fund appropriation was limited to \$0.4 million in SF 608 (FY 2020 Economic Development Appropriations Act). The World Food Prize also received an FY 2020 appropriation of \$0.3 million from the RIIF in HF 765 (FY 2020 Infrastructure Appropriations Act). Under current law, the Program will be funded from the General Fund at \$1.0 million for FY 2021, an increase of \$0.6 million compared to the estimated FY 2020 General Fund appropriation. 	\$0.6

Built-In Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2021 Change (4)
12. Economic Development – Tourism Marketing <i>Standing Unlimited Appropriation</i>	Iowa Code section 99F.11 (3)(e) appropriates a portion of the State wagering tax revenue to the Economic Development Authority for regional tourism marketing.	<ul style="list-style-type: none"> The estimated annual appropriation for regional tourism marketing is \$1.2 million. The FY 2020 appropriation was reduced to \$0.9 million in SF 608 (FY 2020 Economic Development Appropriations Act). Under current law, the \$0.3 million will be restored for FY 2021. 	\$0.3
13. Cultural Affairs – County Endowment Fund <i>Standing Limited Appropriation</i>	Iowa Code section 99F.11 (3)(d)(1) appropriates \$0.5 million from a portion of the State wagering tax revenue deposited in the General Fund for the County Endowment Fund. This is a grant program for cities and nonprofit, tax-exempt community organizations for the development of community programs that provide local jobs for Iowa residents and promote Iowa's historic, ethnic, and cultural heritages.	<ul style="list-style-type: none"> The FY 2020 appropriation was capped at \$0.4 million in SF 608. Under current law, this estimate assumes the Program will be funded from the General Fund at \$0.5 million for FY 2021, an increase of \$0.1 million compared to the estimated FY 2020 appropriation. 	\$0.1
14. Education – K-12 School Foundation Aid <i>Standing Unlimited Appropriation</i>	The School Foundation Aid Program establishes limits and controls on local school district spending authority. Through the school aid formula, the Program determines the amount of State aid and local property tax used in funding the majority of school district budgets. During the 2019 Legislative Session, the General Assembly did not establish the State percent of growth for FY 2021. If no rate is established during the 2020 Legislative Session, the State percent of growth rate will default to 0.00%.	<ul style="list-style-type: none"> Under current law, this estimate assumes that supplemental State aid will decrease by \$3.8 million in FY 2021. The estimate includes the following factors: <ul style="list-style-type: none"> A per pupil percent of growth of 0.00%. An increase in statewide taxable valuations of 5.0%. An increase of \$15.0 million to restore the additional reduction to the Area Education Agencies. 	\$ -3.8

Anticipated Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2021 Change (4)
15. Management – Salary Adjustment <i>Appropriation</i>	Salary adjustment includes salary annualization, the estimated increase for salary steps, and the across-the-board salary increases for FY 2021.	<ul style="list-style-type: none"> The estimated cost for General Fund salary annualization for all State agencies is \$44.6 million for FY 2021. The estimate includes \$32.8 million for employees paid through centralized payroll and \$11.8 million for the Regents institutions. 	\$44.6
16. Human Services – Adoption Subsidy Program <i>Appropriation</i>	<p>This Program is intended to achieve stable and permanent families for children who have been abused or neglected when the rights of the children's parents have been terminated.</p> <p>An enhanced federal eligibility match for Title IV-E funding required that states reinvest any savings into other child welfare services.</p>	<ul style="list-style-type: none"> The current DHS reinvestment obligation from FFY 2015 to FFY 2021 is \$14.4 million. Spending from State FY 2017 through FY 2021 is estimated to total \$5.5 million. The Adoption Subsidy Forecasting Group estimates the availability of \$2.6 million in carryforward funds assuming status quo appropriations. Not all spending of the liability would need to occur in State FY 2021, but the growing obligation would need to be addressed before a "bubble" of liability is created. Some of this unfunded liability may be offset by spending in the Child and Family Services appropriation for new services related to implementing the federal Family First Prevention Services Act. 	\$6.3
17. Human Services – Eldora State Training School <i>Appropriation</i>	The School provides treatment and educational services within a highly structured setting to assist youth who are adjudicated delinquent.	<ul style="list-style-type: none"> The DHS has utilized one-time carryforward funds for planning to hire, or hiring, an estimated 16.0 full-time equivalent (FTE) positions at the School. This amount would annualize the cost of these positions. 	\$2.1

Anticipated Increases and Decreases

(Dollars in Millions)

Programs/Appropriation (1)	Description of Programs (2)	Factors/Assumptions (3)	FY 2021 Change (4)
18. Public Defender – Indigent Defense <i>Appropriation</i>	Iowa Code section 815.11 establishes the Indigent Defense Fund. The Indigent Defense Fund is used to compensate contract attorneys for representing indigent defendants or indigent parties. The Fund also pays for expert witnesses, court reporters of depositions, private investigators, interpreters, and other service providers for the benefit of indigent defendants or indigent parties. The contract attorneys and other service providers must submit claims to the Fund to receive reimbursement for their services.	<ul style="list-style-type: none"> • The five-year average cost increase to the Indigent Defense Fund is approximately \$1.5 million. This estimate assumes the cost increase will continue in FY 2021. • The continued increase in caseloads and complexity of cases is assumed to contribute to higher costs. 	\$1.5

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